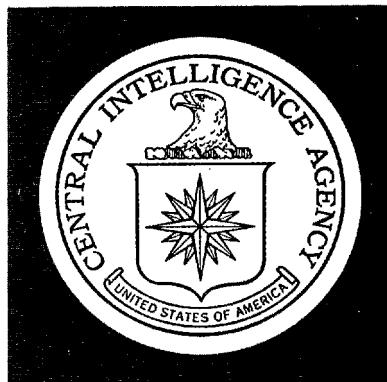


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11 March 1970

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11 March 1970

Central Intelligence Bulletin

CONTENTS

South Vietnam: The Communists seem to be offering an increasingly stiff challenge to pacification.
(Page 1)

Communist China - Nepal: Peking's program to finance Nepalese construction projects is in trouble. (Page 2)

Trinidad: Black power demonstrations are indicative of the explosive potential in the Caribbean. (Page 3)

25X1

West Germany - Yugoslavia: Bonn has offered Belgrade a substantial economic package. (Page 5)

Malawi: Terrorism (Page 6)

UN - South-West Africa: Security Council proposal
(Page 6)

Approved For Release 2003/02/27 : CIA-RDP79T00975A015700110001-5

SECRET

Approved For Release 2003/02/27 : CIA-RDP79T00975A015700110001-5

South Vietnam: The Communists seem to be offering an increasingly stiff challenge to the pacification program.

Enemy forces struck hard at three government outposts on 9-10 March, overrunning one position in Phu Yen Province on the central coast and another near Can Tho in the delta. A second outpost in Phu Yen came under heavy Communist pressure but held out. The government's Territorial Forces lost 35 dead and 42 wounded in the actions; there were no reports of any enemy losses. Last week a number of other government outposts in the delta and south of Da Nang in I Corps were hit hard.

Attacks such as these cause local setbacks to the pacification program even though the general level of fighting countrywide remains low and most of the enemy's big units remain in rear base areas. The assaults are also calculated to remind a significant part of the rural population that the Communists are still a force to reckon with.

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Communist China - Nepal: Peking's program to finance Nepalese construction projects through the local sale of Chinese commodities reportedly is running into difficulties

The Chinese have recently made an additional \$960,000 cash grant for road construction projects because proceeds from commodity sales have not generated enough funds to cover local construction costs. The Chinese blame insufficient sales on Kathmandu's practice of overpricing Chinese goods in deference to India, Nepal's largest trading partner. The Indians, who sell similar commodities in Nepal, could not compete with the Chinese products if they were put at the low prices the Chinese have suggested.

This apparently is the first time that Peking has had to extend additional foreign exchange to prevent the possible cancellation of an aid project in Nepal. Previous aid agreements, however, have included cash as well as commodity assistance. Since 1956, Peking has provided grants totaling \$65 million to Nepal for road construction projects, a hydroelectric plant, and a variety of light industrial projects.

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Trinidad: The recent black power demonstrations in Trinidad are indicative of the explosive potential that exists in the Caribbean.

The demonstrations, which were built around a core of about 1,000 demonstrators but attracted as many as 14,000 people at times, have continued since 26 February. The demonstrations have been characterized by a significant degree of leadership and coordination, in contrast to previous ineffective efforts. Radicals are probably still far from threatening the existing order, although a potential exists for leaders who can link black power themes with popular issues or with economic discontent caused by the dominant position of whites in the economies of the area.

The demonstrations in Trinidad grew out of a sympathy march for West Indian students currently on trial in Canada for their part in the costly student riots in Montreal last year. Black power themes quickly dominated the protests, however. As a result, the violent aspects of the demonstrations, including the firebombing of a US Embassy official's home, were heavily overplayed in the press.

The crowd of about 200 at the protest on Monday suggests that the current wave of enthusiasm is waning. Any new incident, however, such as the harsh sentencing of the students in Montreal, police overreaction, or planned violence by demonstrators could lead to serious unrest both in Trinidad and elsewhere.

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West Germany - Yugoslavia: Economics Minister Schiller unwrapped a substantial economic package for Belgrade during his recent visit.

The major gain was a \$27-million government-guaranteed credit that carries terms more favorable than commercial credits and is unrestricted as to use. Arrangements also were concluded for the disbursement over the next three years of some \$38 million remaining from a \$75-million commercial credit extended in 1969.

Bonn also agreed to increase to \$11 million its guaranteed purchases of Yugoslav textiles manufactured from German raw materials. This will permit Yugoslav re-export earnings to increase five to six times over the level previously allowed. Bonn, however, was unable to grant additional liberalization on imports of Yugoslav wine, because such an action requires approval by the European Economic Community.

A new "cooperation committee" was established which will include representatives from both governments as well as from industry. It will discuss ways to expand German investment in Yugoslavia.

The new package, while not providing all the Yugoslavs would like, will help to ease Belgrade's large trade deficit with Bonn.

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Malawi: The Banda government is again concerned over acts of terrorism. Five more people were murdered in suburban Blantyre by ax-wielding terrorists on 8 March, bringing to nearly 40 the number of unsolved similar murders in the area since late August. Residents are in an ugly mood, and President Banda has made an appearance at the scene of violence in an attempt to allay public fears. The government, which has forbidden news media to report the incidents, is obviously fearful of civilian riots such as those that erupted in January.

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UN - South-West Africa: The special UN Security Council subcommittee on South-West Africa has decided to request of all governments and specialized agencies concerned "as full and detailed information as possible" on business, military, and diplomatic relations with South Africa involving the territory. This proposal was originated by the Finns, who hope to forestall pressure from the African states for more radical measures. The Soviets objected to limiting the request to activities in South-West Africa, but did not oppose adoption of the proposal. The subcommittee is to report to the Council by 30 April its recommendations for dealing with Pretoria's refusal to withdraw from the territory.

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